

Message Text

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ACTION EB-11

INFO OCT-01 EA-11 ADP-00 AID-20 NSC-10 RSC-01 CIEP-02

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INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01 PA-03

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E.O. 11652: N/A
TAGS: BTRA, BEXP, KS
SUBJECT: KOREAN-US. MACHINE INDUSTRY CONFERENCE.

BEGIN SUMMARY: GROUP OF TWENTY-SIX EXECUTIVES FROM NINETEEN MAJOR U.S. COMPANIES IN MACHINE INDUSTRY FIELD (INGERSOLL-RAND, G.E., KOPPERS, TRW, ETC.) PARTICIPATED IN A THREE DAY PROGRAM OF BRIEFINGS AND PLANT VISITS JULY 2-4 TO GAIN FAMILIARITY WITH CURRENT AND POTENTIAL DEVELOPMENT KOREAN MACHINERY INDUSTRY. OBJECTIVE AS ACHIEVED AND ALL U.S. BUSINESS PARTICIPANTS WERE AGREED THAT TRIP WAS EXTREMELY VALUABLE IN HELPING THEM GAIN APPRECIATION OF KOREAN DEVELOPMENT POTENTIAL WHILE PERMITTING OPENING OF DIALOGUE WITH KOREAN BUSINESSMEN. FEW MANUFACTURERS WHO EXPRESSED DISAPPOINTMENT AT LACK OF IMMEDIATE SALES OPPORTUNITIES APPARENTLY MISUNDERSTOOD CENTRAL PURPOSE OF TRIP WHICH HAD BEEN PAINSTAKINGLY ESTABLISHED. UNIQUE CONFERENCE APPROACH TO UPCOMING SALES OPPORTUNITIES COULD PROFITABLY BE REPEATED AT LATER DATE AND IN CONNECTION WITH FURTHER PROJECT REFINEMENT OF VARIOUS MANUFACTURING AREAS INVOLVED IN KOREAN HEAVY AND CHEMICAL INDUSTRIES DEVELOPMENT PLAN
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INVOLVING TEN BILLION DOLLARS EXTERNAL INVESTMENT.

END SUMMARY.

1. MISSION ORIGIN AND CONCEPT: IN MAY, COMMERCE MAJOR PROJECTS DIVISION REPRESENTATIVE CRAIG ATKINS VISITED SEOUL TO DISCUSS WITH ROKG OFFICIALS POSSIBILITY OF U.S. BUSINESS GROUP VISIT CENTERED ON CONTRACT OPPORTUNITIES FOR ENGINEERING FIRMS BUT ROKG OFFICIALS SHOWED DISINTEREST IN ANYTHING LESS THAN PURPOSEFUL INVESTMENT MISSION. BUSINESS VISIT IDEA WAS RENEWED DURING DEPUTY PRIME MINISTER'S TRIP TO U.S. IN JUNE. KOREAN-AMERICAN AGREEMENT WAS OBTAINED FOR BUSINESS GROUP VISIT FOCUSED ON BASIC MACHINE INDUSTRY SEGMENT OF NEW KOREAN DEVELOPMENT PLAN FOR HEAVY AND CHEMICAL INDUSTRIES WITH U.S. BUSINESS GETTING IN ON GROUND FLOOR.

2. MISSION WOULD ALSO REPRESENT RESPONSE TO AMBASSADOR HABIB'S EXPRESSED CONCERN TO ASSISTANT SECRETARY ARMSTRONG THAT U.S. BUSINESS FIND OPPORTUNITIES TO ESTABLISH EARLY INTEREST IN OPPORTUNITIES PRESENTED BY MAJOR KOREAN INDUSTRIAL EXPANSION. DIFFERENCE BETWEEN KOREAN EMPHASIS ON U.S. INVESTMENT, AND COMMERCE EMPHASIS ON U.S. SALES, WAS HARMONIZED IN CONCEPT OF SOPHISTICATED HIGH-LEVEL U.S. EXECUTIVE GROUP WHICH WOULD RECEIVE BRIEFING ON KOREAN INDUSTRIAL DEVELOPMENT PLAN WITH OPTION TO OFFER U.S. SUPPLIER ROLE IN EVERYTHING FROM TURNKEY PROJECT TO JOINT VENTURE.

3. PROGRAM: BRIEFINGS WERE PROVIDED BY ECONOMIC PLANNING BUREAU (GENERAL ECONOMY), HEAVY AND CHEMICAL INDUSTRY PROMOTION COUNCIL (ASPECTS OF PLANNED EXPANSION), MINISTRY OF COMMERCE AND INDUSTRY (CURRENT STATE OF MACHINE INDUSTRY) AND EMBASSY AND AMERICAN CHAMBER OF COMMERCE (ART OF DOING BUSINESS IN KOREA). FACTORY VISITS IN INCHON AND PUSAN INCLUDED MACHINE SHOP, BALL BEARING FACTORY, SHIPYARD AND STEELWORKS. INTERSPERSED SOCIAL OCCASIONS PROVIDED ADDED OPPORTUNITY FOR BUSINESS CONTACTS. GROUP HOSTED LUNCH TO RETURN KOREAN HOSPITALITY. IN-COUNTRY TRANSPORTATION WAS PROVIDED BY ROKG DESIGNATED ORGANIZATION - KOREAN TRADERS ASSOCIATION.

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4. U.S. BUSINESS REACTION: ALL EXECUTIVES WILLINGLY CONCEDED OBJECTIVE OF FAMILIARIZATION WITH KOREAN DEVELOPMENT POTENTIAL FULLY ACHIEVED. ALL WERE ALSO DULY IMPRESSED WITH CONSTANTLY REITERATED KOREAN EAGERNESS TO INVOLVE U.S. BUSINESS IN DEVELOPMENT PROCESS AS PARTIAL OFFSET TO JAPANESE. SOME WERE PUT OFF BY SINGLE-MINDED AND INSISTENT KOREAN DEMAND FOR U.S. INVESTMENT AS

PRIORITY CONSIDERATION. OTHERS WOULD HAVE LIKED MORE INDIVIDUAL DIRECT SUPPLIER-CUSTOMER CONTACT THAN THAT PROVIDED BY GENERALIZED FORMAT. HOWEVER, NUMBER OF FIRMS WERE ABLE TO USE OCCASION AS DOOR-OPENER FOR PURSUIT OF BUSINESS OBJECTIVES, PARTICULARLY IN KOREAN STEEL INDUSTRY AND SHIPBUILDING. SEVERAL FIRMS SAID THEY PREVIOUSLY WERE UNAWARE OF EXTENT TO WHICH COMMERCE AND EMBASSY COULD AND WOULD SUPPORT U.S. BUSINESS ACTIVITY ABROAD. IN OVERALL, ALL THOSE INVOLVED AGREED THAT SUCCESS OF MISSION COULD NOT BE MEASURED BY VOLUME OF IMMEDIATE OR NEAR-TERM SALES, BUT BY BROADENING OF CORPORATE AWARENESS OF KOREAN OPPORTUNITY AND OPENING OF DIALOGUE WHICH WOULD PERMIT CLOSER FUTURE ALIGNMENT OF U.S. BUSINESS WITH KOREAN BUSINESS.

5. KOREAN REACTION: PRESS, PUBLIC AND OFFICIALS EXPRESSED GENERAL KOREAN SATISFACTION AT APPEARANCE OF HIGH-POWERED U.S. BUSINESS GROUP ON HEELS OF DEPUTY PRIME MINISTER'S U.S. VISIT. MUCH OF BRIEFING ARRANGEMENT, HOWEVER, INDICATED KOREANS SOMEWHAT AT A LOSS AS TO HOW TO HANDLE FIRST U.S. GROUP OF THIS TYPE. BRIEFING ON HEAVY AND CHEMICAL INDUSTRY EXPANSION CONDUCTED BY INTERMINISTERIAL COMMITTEE WAS FIRST SUCH FOR EITHER FOREIGN OR DOMESTIC GROUP. BRIEFING WAS AT MACRO-ECONOMIC LEVEL, AND BRIEFERS APOLOGIZED FOR LACK OF PROJECT DEFINITION WHILE SUGGESTING VISITORS HAD COME TOO EARLY. ""GETTING TO KNOW YOU" PROBLEM EXEMPLIFIED AT MEETING SPONSORED BY MINISTRY OF COMMERCE AND INDUSTRY WHERE MATCHING GROUPS U.S.-KOREAN BUSINESSMEN FACING EACH OTHER ACROSS TABLE WERE UNABLE (DESPITE OFFICIAL PROMPTING) TO GET STARTED ON MEANINGFUL DIALOGUE. DESPITE INEXPERTNESS, KOREANS MANAGED TO CONVEY SENSE OF IMMENSE OPPORTUNITY INVOLVED IN THEIR LIMITED OFFICIAL USE

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UPCOMING INDUSTRIAL EXPANSION. AT SAME TIME, KOREANS APPEARED SOMEWHAT TAKEN ABACK AT FAILURE OF GROUP TO RESPOND EAGERLY TO DIRECT KOREAN REQUEST FOR U.S. INVESTMENT.

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INFO OCT-01 EA-11 ADP-00 AID-20 NSC-10 RSC-01 CIEP-02

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6. EMBASSY COMMENT: AS FAR AS WE ARE AWARE, DISPATCH OF A LARGE U.S. BUSINESS GROUP FOR ADVANCE FAMILIARIZATION WITH A PLANNED LDC INDUSTRIAL EXPANSION IS UNIQUE. WE BELIEVE MISSION WAS VALUABLE EXPERIENCE FOR BUSINESSMEN AND GOVERNMENT OFFICIALS OF BOTH COUNTRIES ON WHAT CAN BE ACCOMPLISHED THROUGH SUCH VISITS AND HOW. KOREANS HAVE PLACED MACHINERY MISSION ON AGENDA FOR SECRETARY DENT'S VISIT, AND WE WILL DRAW ON MISSION EXPERIENCE IN DEVELOPING COMMERCE COUNTRY PROGRAM.

7. SHORTCOMINGS IN ORGANIZATION AND PROGRAMMING WERE LARGELY ATTRIBUTABLE TO CONSTRAINTS OF TIME WHICH REQUIRED LAUNCHING OF VISIT IN FIRST WEEK OF JULY BEFORE ONSET OF SUMMER SLACK PERIOD IN BUSINESS ACTIVITIES. WE FAVOR OTHER U.S. BUSINESS GROUP VISITS TO EXPLORE OPPORTUNITIES IN MASSIVE KOREAN INDUSTRIAL EXPANSION AND TO MAINTAIN MOMENTUM OF CONTACT OBTAINED BY U.S. VISIT OF DPM AND KOREAN VISIT OF MACHINERY MISSION. WE WOULD SUGGEST, HOWEVER, SOME CHANGES IN STRUCTURE OF FUTURE SUCH GROUPS.

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8. SUBSEQUENT VISITS SHOULD CONSIST OF MUCH SMALLER GROUP OF FIRMS NARROWLY FOCUSED AND RECRUITED ON BASIS OF DEVELOPED PROJECT OPPORTUNITIES ISOLATED AND IDENTIFIED IN ADVANCE. ON THIS END, WE WOULD MAKE SURE GROUP RECEIVED CAREFULLY TAILORED KOREAN BRIEFINGS

INTERSPERSED WITH APPROPRIATE PLANT VISITS AND MINIMUM OF CEREMONIAL CALLS. ARMED WITH ADVANCE FACTS ON U.S. COMPANIES AND PRODUCTS, EMBASSY WOULD PREPARE ROSTER OF MATCHING KOREAN BUSINESS CONTACTS AS PRACTICAL FOLLOW-UP TO BRIEFINGS. BUSINESSMEN WOULD BE EXPECTED TO CONCENTRATE ON SUPPLY OF U.S. PRODUCTS, SERVICES AND TECHNOLOGY, INDIVIDUALLY OR AS TURNKEY, TOGETHER WITH JOINT VENTURES AS NECESSARY TO SUPPORT THESE SALES. WE WOULD ALSO MAKE ABUNDANTLY CLEAR TO KOREANS THAT THIS WAS MISSION PURPOSE AND NOT INVESTMENT PER SE.

9. AIRGRAM FOLLOWS WITH ENCLOSURE ON PROGRAM OF MACHINE INDUSTRY CONFERENCE.
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